

GENERAL AGREEMENT ON
TARIFFS AND TRADE

RESTRICTED

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MINUTES OF MEETING

Held in the Palais des Nations, Geneva,
on 21 October 1974

Chairmen: Mr. P.S. LAI (Malaysia)

	<u>Page</u>
<u>Subjects discussed:</u> 1. Italian import deposit	2
2. Agreements between the European Communities and Finland	3
3. Association EEC-Turkey	4
4. Committee on Anti-Dumping Practices	5
5. Iceland - Import deposit	5
6. Yugoslav import restrictions	6
7. Pakistan Flood Relief Surcharge	7
8. Australia - Papua/New Guinea Waiver	7
9. Caribbean Community	7
10. Application of Article XXXV against Japan	8
11. Association EEC-Greece	9
12. EEC - Association with certain non-European Countries and Territories	9
13. Calendar of biennial reports on regional agreements	10
14. GATT Management Group	10
15. Agreement between Finland and Czechoslovakia	11
16. Australia - Article XIX action on imports of certain footwear	11
17. Japan - Restrictions on imports of beef and veal	12
18. United States - Countervailing duties on imports of non-rubber footwear from Brazil	13

1. Italian import deposit (L/4082)

The Chairman recalled that the Council had discussed the Italian Import Deposit Scheme at its meeting on 3 May 1974 and had established a Working Party for the examination of the Scheme. The report of the Working Party had been circulated in document L/4082.

Mr. Easterbrook-Smith (New Zealand), Chairman of the Working Party, pointed out that the Working Party had held two meetings and had carried out a consultation with the International Monetary Fund in accordance with Article XV of the General Agreement. Taking into account the finding of the IMF, there had been a wide measure of support in the Working Party for the conclusion that the deposit scheme was not more restrictive than measures permitted under the provisions of Article XII of the GATT. The Working Party had taken note of the statements made by the representatives of Italy and of the European Communities that the measure was temporary and would be abolished as soon as circumstances allowed. Although some relaxation had been introduced since its introduction, the deposit scheme continued to be applied. The Working Party had therefore agreed to keep the measure under review.

The representative of the United States welcomed Italy's intention to terminate the import deposit as soon as possible. He reiterated the importance he attached to the non-discriminatory application of the scheme and welcomed the statement that non-discrimination would continue to be observed.

The representative of Canada supported these views and added that he would have welcomed more firm assurances by Italy in the GATT context with regard to the termination date for the import deposit requirement to parallel the assurances given by Italy to the IMF.

The representative of Japan expressed the hope that the unilateral measures adopted by Italy would not lead to a chain reaction of protective trade measures applied by other countries.

The representative of India also joined the other speakers on the question of an early withdrawal of the measure. He reiterated the views of developing countries that in the process of dismantling the import deposit scheme priority should be given to the removal of the measure for imports from developing countries and for products for which developing countries were substantial suppliers.

The Council adopted the Report of the Working Party (L/4082), thereby approving the Working Party's conclusions, in particular that, without prejudice to the rights of contracting parties under the GATT, the Italian Import Deposit Scheme was not more restrictive than measures which the application of the provisions of Article XII permitted.

The Council noted that the measure was temporary and that it would be abolished as soon as circumstances allowed. The Council noted also that the Working Party would keep the matter under review and that it would continue to be available for consultation as necessary.

The representative of Italy stressed that the measure was of an exceptional and temporary character. He repeated his Government's intention to abolish the measure as soon as possible. The measure would be re-examined during the first months of 1975.

The representative of the Communities stated that the Italian measure had become a trade measure of the Community under the provisions of the Treaty of Rome. He assured the Council that the Community would bear in mind the temporary nature of the measure and the principle that it would be applied without distinction as to origin of products. This did not imply that the Community had accepted the principle, taking into account the provisions of Article XXIV. The Community would continue to examine the measure closely with the Italian Government in order to alleviate and to eliminate it as soon as circumstances allowed.

2. Agreements between the European Communities and Finland (L/4064)

The Chairman recalled that the Council established a working party in December 1973 for the examination of the Agreements concluded between the European Communities and Finland.

Mr. Tomić (Yugoslavia), Chairman of the Working Party, stated that the Working Party had addressed itself to several specific issues such as trade coverage, quantitative restrictions, agriculture, relations with developing countries and rules of origin, as well as to some general questions related to the Agreements. The Working Party had been unable to reach unanimous conclusions as to the compatibility of the Agreements with the relevant provisions of the GATT. Some members were of the opinion that the Agreements constituted a preferential arrangement for trade in industrial products which did not conform to Article XXIV. They considered that the exclusion of the whole sector of

agriculture meant that the trade coverage was inadequate. Furthermore, the rules of origin appeared to be unduly complex and restrictive to third country suppliers.

The parties to the Agreements, on the other hand, supported by some members of the Working Party, held the view that the Agreements were fully compatible with the General Agreement. In their view, one of the main reasons for permitting the formation of free-trade areas under the GATT was the encouragement of growth and liberalization of world trade..

The Working Party therefore had limited itself to reporting the opinions expressed on these issues.

The representative of the United States emphasized the obligation on the part of the parties to the Agreements to refrain from discrimination in the removal of quantitative restrictions.

The representative of India expressed the concern of the developing countries with regard to the adverse impact the Agreement might have on the benefits enjoyed by developing countries under the Generalized System of Preferences. He noted the assurances by Finland that the interests of the developing countries would be safeguarded and promoted in the course of the multilateral trade negotiations and expressed the hope that steps would also be taken outside the multilateral trade negotiations for the improvement of the GSP.

The representative of Canada repeated his delegation's view that the Agreements did not conform to Article XXIV. He also expressed concern about the rules of origin under the Agreements which were more restrictive than the rules of origin applied under the EFTA Agreement.

The representative of the Communities recalled the views expressed by his delegation as reflected in the report.

The Council adopted the report.

3. Association EEC-Turkey (L/4086)

Mr. Raulo (Singapore), speaking on behalf of Mr. Tan, Chairman of the Working Party, stated that the Working Party had carried out its examination of the Supplementary Protocol to the Association Agreement, consequent on the accession of new member States to the European Communities. The discussions in the Working Party had covered several specific issues including quantitative restrictions as well as some general questions relating to the Association.

He noted that the parties to the Agreement, supported by some members of the Working Party, held the view that the Supplementary Protocol, which consisted of adaptation measures, conformed fully with the provisions of Article XXIV. Other members, however, held the view that the Supplementary Protocol did not conform fully to the requirements of the GATT. The Working Party had, therefore, limited itself to reporting the opinions expressed.

The Council adopted the report.

4. Committee on Anti-Dumping Practices (L/4092)

Mr. Huslid (Norway), Chairman of the Committee on Anti-Dumping Practices, introduced the Sixth Report by the Committee covering the period from September 1973 to September 1974 (L/4092). He pointed out that the discussion had centred around the various anti-dumping practices of some countries, notably around the criteria used for determination of injury, price comparison practices and policies on voluntary price undertakings. These discussions had contributed to a better mutual understanding of the positions taken. The Committee had also exchanged views on ways and means to increase the efficiency of its work and had agreed to continue the discussion of this question at a special meeting to be held early next year.

Mr. Huslid also recalled that in September 1970 the Council had set up a Working Party to study the special problems of developing countries in adhering to the Code and that in 1973 agreement had been reached on an ad referendum text of a note to the Anti-Dumping Code. As one member of the Working Party had subsequently raised objections to the text, another meeting had been held this year during which existing differences had been narrowed down. He hoped that at a meeting scheduled for early next year a solution could be found for the remaining problems that would facilitate the acceptance of the Code by developing countries.

The representative of Australia mentioned that the decision for Australia to adhere to the Anti-Dumping Code was before Parliament.

The Council took note of the oral report on the work of the Working Party on the Acceptance of the Anti-Dumping Code and adopted the report of the Committee on Anti-Dumping Practices.

5. Iceland - Import deposit (L/4035/Add.1)

The Chairman recalled that the Council had discussed the Icelandic Import Deposit Scheme at its meeting on 27 May 1974 and had established a working party to examine the scheme and its implications.

The representative of Iceland stated that, as notified in document L/4035/Add.1, the import deposit was being phased out and would be completely eliminated by the end of the year.

The Chairman pointed out that the Working Party had not yet met and he suggested, therefore, that in these circumstances the Council, without setting a precedent, should agree that there was no need for the Working Party to meet. It would be understood however that the Working Party would remain available for consultation as necessary.

The Council agreed to this proposal.

6. Yugoslav import restrictions (L/4081)

The Chairman referred to a notification by the Yugoslav delegation of a number of recently introduced temporary measures in Yugoslavia's import régime (L/4081). The measures included the introduction of an import deposit scheme.

The representative of Yugoslavia stated that the measures introduced by his Government were the result of the deterioration in Yugoslavia's balance of trade and balance of payments. He pointed out that during the first eight months of 1974, as compared to the same period in 1973, exports increased by 44.7 per cent and imports by 78.1 per cent. This resulted, for the first six months of 1974, in a deficit of \$500 million compared to a deficit of \$60 million during the same period in 1973.

In order to reduce this deficit his Government had introduced until the end of 1974 restrictive measures on a non-discriminatory basis on some items, mainly consumer goods, thereby affecting 5-6 per cent of Yugoslavia's imports. The Government had thereby expected to reduce the deficit in the balance of payments by \$300 million. He emphasized that these measures did not reflect a change in Yugoslavia's policy which was aimed at trade liberalization.

A number of representatives sympathized with Yugoslavia's situation especially since it was partly the result of action to restrict imports by other countries. They nevertheless expressed regret that Yugoslavia had found it necessary to introduce new trade restrictions.

The Council took note of the Yugoslav measures, which would expire by the end of the year, and agreed to revert to the matter later if necessary.

7. Pakistan Flood Relief Surcharge (L/4071)

The representative of Pakistan recalled that the CONTRACTING PARTIES by their Decision of 28 January 1974 had enabled the Government of Pakistan to maintain a temporary additional customs duty as Flood Relief Surcharge until 31 December 1974. He was pleased to confirm that his authorities had found it possible to terminate the surcharge with effect from 8 June 1974, i.e. before the expiry of the time-limit under the Decision.

The Council took note that the measure had been terminated.

8. Australia - Papua/New Guinea Waiver (L/4090)

The Chairman drew attention to the Twentieth Annual Report on measures taken under the Decision of 24 October 1953 submitted by the Government of Australia (L/4090). The report recorded that no new measures had been introduced in the period under review.

The Council took note of the report.

9. Caribbean Community (L/4083)

The Chairman recalled that the Council, at its meeting in December 1973, had been informed of the establishment of the Caribbean Community and Common Market. The text of the Treaty establishing the Caribbean Community had now been submitted by the contracting parties members of the Caribbean Community (L/4083).

The representative of Jamaica stated that the Caribbean Free Trade Association (CARIFTA) had come into being in 1968. As a further step in the process of regional integration, all the countries and territories which participated in CARIFTA had signed a Treaty establishing the Caribbean Community and Common Market. The objectives of this Community were, in short, the economic integration of member States; the co-ordination of trade policies towards the rest of the world and functional co-operation including the efficient running of certain common services and activities. The Community provided for a special régime for the less-developed member countries.

He emphasized that the Treaty establishing the Caribbean Community and Caribbean Common Market was in accord with the provisions of Article XXIV of the General Agreement.

Many representatives expressed their appreciation for the information given and welcomed this development.

The Council agreed to establish a working party with the following terms of reference and membership:

Terms of Reference:

To examine, in the light of the relevant provisions of the General Agreement, the provisions of the Treaty establishing the Caribbean Community and Common Market (L/4083) and to report to the Council.

Membership:

Australia	Jamaica
Brazil	Malaysia
Canada	Nigeria
European Communities and their member States	Nordic countries
India	Peru
Japan	Trinidad and Tobago
	United States

Chairman: Mr. Falconer (New Zealand)

It was agreed that contracting parties wishing to submit questions in writing to the parties to the Agreements should be invited to send in such questions to the secretariat by 30 November and that the parties should supply the answers to these questions in the course of January 1975.

10. Application of Article XXXV against Japan (L/4095)

The representative of Japan drew attention to the question of application of Article XXXV against his country. He referred to the objectives of the General Agreement, as presented in the Preamble, and pointed out that Japan had found those objectives very important when it became a member of the GATT in 1955, because it sincerely and earnestly wished to contribute to these objectives. However, a number of countries had declined to enter into GATT relations with Japan by invoking Article XXXV. He was pleased to recall that, with the passage of time, many of those countries had agreed to disinvoke Article XXXV and to enter into reciprocal and mutually advantageous relations with Japan. He expressed his delegation's appreciation to the Governments of the four contracting parties which had disinvoked Article XXXV since the twenty-ninth session, namely the Central African Republic, Togo, Tanzania, and Cameroon. However, it was a matter of concern that nine contracting parties, namely Austria, Cyprus, Haiti, Ireland, Kenya, Mauritania, Nigeria, Senegal and South Africa, had still not found it possible to enter into normal

GATT relationship with his country. He felt that the existence of a trade imbalance did not justify the invocation of Article XXXV. Some of the countries, although applying the Article in form, were treating Japan equally with the others in substance. This raised the question that if these countries did not discriminate against Japan in substance, why did they consider it necessary to do so in form.

He then pointed out that Japan had been applying the Generalized System of Preferences to the six developing countries without any discrimination, in spite of the fact that they were discriminating against Japan in form, if not in substance, by invoking Article XXXV.

In conclusion, he expressed the hope that all the remaining nine contracting parties would disinvoke Article XXXV at the earliest opportunity so that his country could enter into reciprocal and mutually advantageous GATT relations with them.

Many representatives supported the appeal of Japan.

The representative of Nigeria stated that the question was presently being considered by his Government.

The Council took note of the statement made by the representative of Japan and appealed to the contracting parties concerned to give again serious consideration to this question.

11. Association EEC-Greece (L/4062)

The Chairman drew attention to a communication made by the parties to the Agreement between the EEC and Greece, containing a report on developments under the Association (L/4062).

The Council took note of the report.

12. EEC-Association with certain non-European Countries and Territories

The Chairman recalled that at the last Council meeting in July there had been a discussion on the question of biennial reports to be supplied in respect of the Association between the EEC and certain non-European Countries and Territories. It had then been decided to refer the matter to the present meeting of the Council.

The representative of the Communities stated that, in the case of biennial reporting for free-trade areas, some delegations felt that it was no longer necessary to supply biennial reports once the free-trade area had been established,

while others expressed the opinion that these reports should continue. In this connexion, he explained that the relationships between the Community and the non-European countries and territories were likely to be modified in 1975. Such modifications would be duly notified to the CONTRACTING PARTIES and it seemed to him that it would be useful in these circumstances to leave the theoretical discussion of this problem aside for the moment. The matter could be considered again in the light of subsequent notification.

The Council, taking into account that the relationships between the Community and the non-European countries and territories were likely to be modified, agreed to revert to the matter when the notification of any such modifications was considered.

13. Calendar of biennial reports on regional agreements (C/W/245)

The Chairman recalled that in 1972 the Council had fixed a time-table setting dates by which the contracting parties members of a regional agreement would be invited to submit a biennial report on developments under the agreement concerned. As this time-table was prepared for the period ending in October 1974 the secretariat had circulated suggestions for a new time-table in document C/W/245.

The Council approved the time-table, it being understood that the time-table could be revised as appropriate when considering notifications of subsequent modifications in certain regional agreements.

14. GATT Management Group

The Chairman recalled that, at the meeting of the Council on 21 June, the Director-General had made a statement relating to the trade policy aspects of the work of the Committee of Twenty of the International Monetary Fund. The Director-General had also made certain suggestions as to how the CONTRACTING PARTIES might organize themselves in order to facilitate the carrying out of their responsibilities, particularly with respect to the pursuit and maintenance of trade policies consistent with the objectives of the General Agreement, the prevention of sudden disturbances that could threaten the multilateral trading system and the carrying out of their part in the co-ordination between GATT and the IMF on the international adjustment process.

He then pointed out that since that time informal consultations had been held between delegations. It seemed that a consensus had already emerged on many aspects of the proposal. This, however, was not yet the case in respect of membership, with respect to which further consultations were continuing.

He believed that the informal discussions on membership needed to be continued and therefore proposed that the Council should revert to this matter later.

The Council agreed to this.

15. Agreement between Finland and Czechoslovakia

The representative of Finland informed the Council that on 19 September 1974 an agreement had been signed between Finland and Czechoslovakia on the reciprocal removal of obstacles to trade, taking into account the provisions of Article XXIV of the GATT. The text of the agreement would be submitted to the CONTRACTING PARTIES in due course. His delegation was willing to follow the usual GATT procedure for the examination of this agreement.

The representative of Czechoslovakia associated himself with the statement made by the representative of Finland.

The Council took note of the information and agreed to revert to the matter when the provisions of the agreement had been notified.

16. Australia - Article XIX action on imports of certain footwear (L/4099)

The representative of Australia stated that his Government had advised the CONTRACTING PARTIES that, in accordance with the provisions of Article XIX of the General Agreement, it had decided to introduce temporary quantitative import restrictions on certain footwear.

The restrictions were being introduced following a public enquiry and report by the Australian Temporary Assistance Authority which in the face of rapidly increasing imports had recommended that urgent action be taken in the form of quantitative import restrictions. Imports under the relevant tariff items had increased by 70 per cent from 13 million pairs in 1972/73 to 22.1 million pairs in 1973/74. The restrictions were intended to limit imports between 1 October 1974 and 30 September 1975 under each of the tariff items concerned to a level of 20 per cent greater than imports under those items in 1972/73. Quotas would be allocated to established importers without restriction as to source of supply.

The temporary restrictions would apply pending a report by the Australian Industries Assistance Commission on the nature and extent of longer-term assistance which should be accorded to the Australian footwear industry.

The representative of Spain enquired whether any prior consultations had taken place with exporters and reserved Spain's rights under the relevant provisions of the GATT.

The representative of Australia replied that the measures had been subject to the examination by the Temporary Assistance Authority which had been conducted in the normal form of public hearings.

The representative of Nigeria drew attention to the comments made by developing countries with respect to the need for discipline in the invocation of Article XIX.

The Council took note of the statements and noted that the contracting parties reserved their rights under the General Agreement.

17. Japan -- Restrictions on imports of beef and veal

The representative of Australia drew attention to the restrictions on imports of beef and veal maintained by Japan. He recalled that import restrictions on beef and veal had been notified by Japan in 1970 in accordance with the procedures for dealing with residual import restrictions (L/3212/Add.7/Rev.1). The Japanese notification stated that each residual import restriction took the form of a global quota open to imports from all countries. In the case of beef and veal, however, the Japanese Government had deferred the issuing of import licences for some 40,000 tons of the quota previously announced for the second half of 1973/74 and it had not yet announced or opened a quota for 1974/75. Applications for import licences were being refused. It appeared, therefore, that Japan's notification regarding residual import restrictions was no longer valid in the case of beef and veal and he felt that the change in import restrictions should have been notified in accordance with the agreed procedures. He added that representatives of the Japanese and Australian Governments had discussed on several occasions the disruptions of the world meat trade, to which Japan's embargo was a contributing factor.

The representative of New Zealand supported the statement made by the representative of Australia. His authorities had also discussed this question with the Japanese authorities on several occasions.

The representative of Japan explained that the Japanese economy was undergoing severe difficulties and domestic consumption of beef and veal had declined rapidly. Japan had participated in bilateral and multilateral discussions and consultations on the present world market situation for beef and veal. He considered that these discussions represented a co-operative effort to reach a common understanding of the domestic situation in individual countries and of the present state and future prospects of world trade in beef. He pointed out that the Government of Japan had implemented a series of domestic measures to restore prices and promote consumption in the meat sector.

The Japanese Government had maintained over the years a system of import quotas on beef, under which the Government issued import allocations taking into account the availability of domestic supplies and the internal market situation. The delay of import allocation under the import quota system since the beginning of this fiscal year did not constitute a change in this system and therefore did not require notification.

The representative of Australia stated that he took note of the Japanese declaration. His delegation reserved all rights under the GATT, either in the context of Japan's specific restriction on imports of beef and veal, or in the context of some broader review.

The Council took note of the statements made.

18. United States .. Countervailing duties on imports of non-rubber footwear from Brazil

The representative of Brazil recalled that on 11 September 1974 the United States Treasury Department had imposed countervailing duties up to a level of 12.3 per cent on imports of non-rubber footwear from Brazil. This measure would affect exports from Brazil which, in 1973, had amounted to about \$80 million. The Brazilian Government had made formal representations to the United States Government regarding this action. His Government considered that the countervailing action adopted by the United States was unjustified both on legal and economic grounds.

Apart from the question as to whether his Government's incentive measures could be considered a subsidy he recalled that Brazil, like other developing countries, had not accepted the 1960 Declaration giving effect to the provisions of Article XVI:4. There was therefore no legal obligation to refrain from the use of subsidy measures and no countervailing action should be taken, in his view, against legitimately subsidized exports from developing countries.

He furthermore pointed out that under Part IV of the GATT, in particular Article XXXVII:3, developed contracting parties should have special regard to the trade interests of less-developed contracting parties when considering the application of other measures permitted under the General Agreement to meet particular problems and that they should explore all possibilities of constructive remedies before applying such measures where they would affect essential interests of developing contracting parties. It was clear that countervailing duties were amongst the other measures referred to.

He stressed that in his view exports of Brazilian footwear did not involve damage either to United States firms nor to the United States economy. On the other hand, the imposition of countervailing duties would be damaging to the Brazilian industries concerned and to Brazil's economy. He acknowledged that Brazil's share in total United States imports had increased from less than 2 per cent in 1970 to about 13 per cent in 1973. However, United States consumption had expanded considerably in recent years and imports from other countries had declined. His conclusion was, therefore, that Brazilian exports had not grown at the expense of American firms, but had benefited from an expanded consumption and from a greater comparative advantage in relation to other foreign suppliers. Brazilian exports of non-rubber footwear corresponded to less than 4 per cent of United States consumption, and to about 13 per cent of United States imports. Imports of the order of \$80 million could hardly be considered as being significant in terms of the United States market. The Brazilian shoe industry was a newcomer to the international trade in footwear. Should the United States market be shut off to Brazilian footwear, many companies would be unable to survive, creating unemployment and serious social problems.

The representative of the United States said that his country's legislation was mandatory in this case and that his authorities had therefore been compelled to take the countervailing measures concerned. As regards Part IV his authorities believed that they had met the requirements. Moreover, they had had extensive consultations with the Brazilian authorities. He expressed the hope that it would be possible to take up the general problem of the use of subsidies and countervailing action within the framework of the multilateral trade negotiations.

The Council took note of the statements made.